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How To Unlock Your Company's Creativity

Maureen Farrell, 04.02.08, 6:00 AM ET

Innovation is one of those sexy-squishy words that big companies throw around in splashy ad campaigns and white papers. Innovation implies new stuff; new stuff implies growth; and growth implies higher stock prices and beach houses in the Hamptons.

That's why behemoths from IBM to Volkswagen are willing to pay \$30,000 to \$40,000 for two- to three-day "master classes" on innovation, care of consultant Rowan Gibson, co-author of *Innovation To The Core: A Blueprint for Transforming The Way Your Company Innovates*, published in late March.

But innovation isn't just the province of the big. Just because small companies don't command multimillion-dollar research and development budgets doesn't mean they don't have to innovate. On the contrary, they have to be even more creative, in every aspect of their business, to compete. It's not easy.

In Pictures: Six Tips For Fostering Innovation At Your Company

"Small firms are often so busy keeping up with what's now that it's difficult to think of what's next," says Gibson. "But what's next is critical."

The good news is that innovation isn't purely a function of brain wattage and fat research budgets, says Gibson. Innovation lurks within myriad nooks and crannies of any company--from the receptionist to the head of information technology. And while running a full-fledged democracy is impractical, employees at every level should have a way to share their ideas.

Get started by scheduling a group innovation strategy session--even if it means coming in on a weekend or setting aside a few hours a week, says Gibson. Don't just pay lip service: Let the discussions play out and reward the creative for their efforts--say, by offering participation on the development team; bonus pay based on the commercial success or savings generated by the idea; extra vacation time; or even a prized parking spot.

Next step, knock down the walls. Working in silos dulls your company's creative edge. "If people in different organizations aren't talking to each other, it's difficult to tap into collective know-how," says Peter Skarzynski, Gibson's co-author and chief executive of Chicago-based Strategos, an innovation consulting firm. Skarzynski suggests organizing your company into cross-functional, creative teams with people from different departments, and with varying levels of experience, who meet on a regular basis.

Once you get enough people around the table, rip apart the assumptions that are holding you back. That's what Reed Hastings did when he launched Netflix in 1997, when Blockbusters were virtually on every block. Hastings shelved three assumptions: 1) that customers would only pay to rent movies they could watch on the same day they thought about watching them; 2) that late fees were a necessary evil and revenue driver; and 3) that a start-up can't compete with an entrenched giant. Netflix's recent market cap: \$2.1 billion. Blockbuster's : \$643 million.

Most companies have a clear sense of what they do, but not of what they know or own, says Gibson. Innovation comes from truly defining these precious resources and building on them--and that means thinking broadly about how to apply your current capabilities to capture new opportunities.

Steve Shapiro, an innovation consultant and Accenture veteran, offers this example: One of his clients, a regional bank that served small businesses, realized that it could harness its clout with office-supply vendors to offer better deals on supplies for its banking customers. Likewise, maybe your product, initially designed for a specific purpose, also fulfills another role--a la Arm &

Hammer's banking soda cum air freshener.

Understand, too, that innovation isn't a one-off conversation. It's a constant pursuit. To wit: Manhattan-based Fahrenheit 212--a consulting firm with clients such as Gucci Group, Diageo and Warner Music--aims to inculcate innovative thinking by running a three-day, off-site meeting every three months. Chief Executive Geoff Vuleta's 25 employees earn bonuses based on their ability to meet targets set every 100 days. All goals--including Vuleta's--are shared with the entire staff, and feedback is encouraged.

Nothing like a little public pressure to ratchet up the creativity quotient.

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